August 28, 2006

Robert E. Feldman, Executive Secretary
ATTN: Comments
FDIC
550 17th St. N.W.
Washington, D.C. 20429

I have worked in the industrial banking environment in Utah for well over a decade. It is for that reason that I wish to remain anonymous.

1. I do not believe there is increased risk to the deposit fund because of the ILC (now known as industrial bank) industry to date. I think that commerce and banking should be separated for a variety of reasons. I would like to say however, that my concerns are not because the FDIC does not have sufficient power or skill to regulate ILCs. I think that the Federal Reserve is creating a turf war over political gibberish. I have worked in numerous bank charter types and have found the FDIC to be the most diligent and detailed regulator I have dealt with in 30+ years in the business. My primary concerns are as follows:

- Commercial firms are not regulated as are firms that are financial in nature (85% of total revenue of the parent organization coming from financial services). Particularly now that many of the investment banks are regulated by the SEC and other similar agencies and must adhere to Consolidated Supervisory Entity requirements.
- Potential for discrimination in lending practices. Wal-Mart could provide loans to their suppliers that could be favorable to companies who do not do business w/ Wal-Mart. I don't believe the existing federal legislation for Fair Lending would address or prevent such a circumstance.
- I don't believe that Wal-Mart will use the charter only for credit card and check processing once the "de novo" period has ended. Witness the recent announcement regarding Wal-Mart's entrance into banking in Mexico. Given the existing regulatory structure, I also don't see how the FDIC can legally restrict charters without legislation.

Supervisory and regulatory programs should be left alone and Congress should pass the Gillmor bill.

2. Yes, the risks to the deposit fund are a direct result of the type of owner of the charter for the reasons stated above. Commercial firms are not adequately supervised and are not in the habit of being supervised as are firms already in the financial services industry. "Financial" has been adequately defined as 85% of revenues of the parent organization coming from financial services.

3. I do not believe that more risks are posed to the deposit fund based on the whether the ILC parent is regulated by the FRB. I do think that parent organizations regulated by SEC or other similar regulated entities pose less risk than commercial firms. I believe that the "bank-up" form of regulating by the FDIC is much more effective than the "holding company-down" form by the Fed.

4. Absent any law or rule to restrict commercial firms from owning banks, I think that the FDIC must consider the comments made on a specific application. This is a fine line as I also think that the five large banks have a monopoly on the banking system and are trying to protect market share. However, the comments of the public and other entities regarding the corporate culture of an applicant (i.e. Wal-Mart) should be considered.

5. See #4 above.

6. Absent legislation to separate commerce and banking, I think that the FDIC should place restrictions or requirements on certain categories of ILCs- primarily centered on capital and business plan restriction.

7. ILC's owned by financial firms pose no more risk to the deposit fund than bank holding companies. Having been involved with the FDIC, SEC, OTS, the FED and OCC, I see no fundamental differences among the regulators. The Fed has done a good job with negative and inaccurate political hype by sounding the alarm regarding non-Fed regulated entities, but the facts are that they are no better than any of the other banking and financial services regulators. And clearly, financial companies are more regulated than are commercial firms. Financial companies are not the risk to the fund.

8. I believe that tying and conflicts of interest are more likely with commercial firms, primarily due to the lack of regulation of commercial firms and the fact that commercial firms are not used to being regulated. The majority of the conflicts of interest between the ILC and parent are regulated adequately by FRB 23a and 23b, which can be adequately regulated by the FDIC or State. However, it is in the area of discriminatory lending practices that are not covered by Fair Lending and other regulations that could be problematic. The example used in #1 above-lending by Wal-Mart to suppliers vs. non-suppliers- would be difficult to say is against the law as the majority of their suppliers and non-suppliers would fall under the protected classes (minority-owned businesses, etc.). Other U.S. Banking regulations would need to be altered to accommodate this change in the banking landscape.

9. Just as the FDIC considers the competitive environment with each new application for deposit insurance, the FDIC should consider the potential impact to small business of a world-wide company such as Wal-Mart owning an ILC. The most logical way to control this would be through federal legislation.

10. While I believe that Wal-Mart could provide banking services to an underserved group in the U.S., I do not think that this is their objective. I also think that this group

would not change their banking habits (opening checking and savings accounts) just because the Wal-Mart owned the ILC. The potential benefits however, do not outweigh the potential negatives in this case.

11. I think that the FDIC Board has considered all relevant facts surrounding this issue and should not be swayed with all the rhetoric brought on by the FRB.

12. Based on my knowledge of regulations, I don't see how the FDIC can legally or legitimately impose long-term restrictions on charter approval or regulation absent Congressional action.

Thank you.